SGGF VII

Saskatchewan Government Growth Fund VII Ltd.

2008 Annual Report

Creating economic wealth and diversification through investment of immigrant investor capital in Saskatchewan

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FUND PROFILE

Saskatchewan Government Growth Fund VII Ltd. ("SGGF VII" or the "Fund") is a government-administered venture capital fund pursuant to the Immigration Regulations, 1978 (Canada), as amended. It was formed to enable immigrant investors to invest in businesses operating in Saskatchewan and facilitate the investors' qualification as Canadian permanent residents under the Immigrant Investor Program.

FINANCIAL HIGHLIGHTS

- The Fund recorded net income of $212,000 in 2008 and has an accumulated deficit at December 31, 2008 of $1.4 million.
- Net revenue for the year, including recognition of the change in fair value of the Fund's investments, was $359,000.
- The initial principal repayment at maturity of Notes had been set at $185,000 in early 2006 and later in 2006, the payment was increased to $195,000. In December 2007, the payment was increased to $210,000 and further increased to $217,500 in 2008. Additional payments will be made when cash becomes available from the liquidations of investments.

MESSAGE TO INVESTORS

The priority of Saskatchewan Government Growth Fund VII Ltd. in 2008 was to actively manage its remaining investments with a view to achieving the best liquidation proceeds available in the prevailing circumstances to fund repayments of Notes. Progress continued to be made in achieving disposals of investments in small and medium sized enterprises, thereby reducing the risk profile of the Fund as Notes reach their maturity dates.

The Fund recorded net income of $212,000 in 2008, reflecting the fact that net investment income exceeded the administrative costs and interest on investor investor notes.

The accumulated deficit of the Fund is $1.4 million at December 31, 2008, an improvement from $1.6 million at the end of 2007. The accumulated deficit results from losses on disposal of investments, reflecting the relatively higher risk associated with investments in small and medium sized enterprises. In addition, the low interest rate environment of recent years has had a negative effect on returns available from portfolio investments and infrastructure loans.

Payments to Noteholders at maturity of the Notes are established periodically based on forecasts of cash expected to be available from disposal of investments and scheduled maturities of Notes. This ensures that all Noteholders are treated equally. In early 2006, the amount paid at maturity of the Notes was set at $185,000. During 2006, the payment was increased to $195,000. Based on the progress of the Fund and on revised forecasts of cash flows, the payment was further increased to $210,000 in 2007 and to $217,500 in 2008. As a result of investment losses, it is unlikely that the Fund will be able to repay the full principal amount of Notes. If the assumptions underlying current forecasts of cash flows from investments prove to be correct, payment of some principal amounts in addition to the payments to date may be possible in 2009. The current forecast projects that the total payment to investors could be in the range of $225,000 to $235,000. The cash flow forecast will be reviewed quarterly and available cash will be distributed to investors.

In April 2008, changes were made to the Board of Directors with the appointments of Elizabeth Nash and John Hyshka to replace Rollie Hardy, Lloyd Boutilier, Darrel Cunningham and Harwood Davies. In March 2009, John Hyshka left the Board and Neil Buechler, Dave Farrell, Brent Martian and Mary-Lynn Waschuk were appointed as Directors. We extend our thanks to Messrs. Hardy, Boutilier, Cunningham, Davies and Hyshka for their contributions to the Fund.

During 2009, the priority of SGGF VII will be to actively manage its remaining investments with a view to achieving the best liquidation proceeds available in the prevailing circumstances to fund repayments of the Notes.

E.M Nash

Elizabeth M. Nash
Chair

Alan Rowe

Alan M. Rowe
President

March 6, 2009

INVESTMENT PROFILES

The following are profiles of investments held by SGGF VII during 2008, including the principal amount invested at December 31, 2008, and a description of the companies' operations. The date of the initial investment in each company is noted in parentheses.

Bioriginal Food and Science Corp. (September 2005)

$1,000,000 loan

Bioriginal produces and markets natural oils and plant products throughout North America and the world and is the world's leading supplier of essential fatty acids. The Company's head office is in Saskatoon and it has operations in North America, Europe and China.

Harman Poultry Farm Ltd. (September 2002)

Harman Poultry is the largest producer of eggs in Saskatchewan. The company has operations near Regina and Prince Albert, Saskatchewan, and in Steinbach, Manitoba. During 2007, the company repaid substantially all its loans to the Fund and in 2008 repaid its remaining loans and purchased the warrants held by the Fund, resulting in a gain on the disposal.

Nu-Fab Burton Limited Partnership (June 2001)

Partnership units – 18.9% ownership

Nu-Fab Burton Limited Partnership was formed in 2002 through the merger of Burton Cabinets (in which the Fund previously had an investment) and Nu-Fab Building Products. Nu-Fab Building Products was a supplier of building products and pre-fabricated residential housing with operations in Regina and Saskatoon. In late 2006, Nu-Fab Burton's operations were sold. The company repaid its loans to the Fund in 2006, and substantially all of the proceeds for the Fund's equity interest were received in 2007 and 2008 with final payment expected in 2009.

R & R Leasing (July 2002)

$66,715 loans

R&R is based in Regina and leases buildings, equipment and vehicles to Saskatchewan Crown Corporations, other government-related entities and private enterprises.

Background

Saskatchewan Government Growth Fund VII Ltd. ("SGGF VII" or the "Fund") is an immigrant investor fund which operates in accordance with the regulations of the federal Immigrant Investor Program (the "IIP"). The Fund began commercial operations in 1999 when it accepted its first subscription deposits. The Fund is financed by subscriptions received from immigrant investors. The objective of the Fund is to invest at least 70% of the proceeds of subscriptions in eligible businesses in Saskatchewan for a five year period as required by the IIP. This allows the immigrant investor to satisfy the investment requirements of the IIP for a Canadian-resident visa.

Investor notes

SGGF VII's activities are financed by immigrant investors who have subscribed for unsecured, subordinated promissory notes ("Notes") offered through an Offering Memorandum. The interest rate for a Note is determined at the time the full subscription is received, and remains constant until the maturity of the Note. The Notes are subordinate to all other liabilities of the Fund and repayment is dependent on the proceeds on liquidation of investments and all other available liquidity in excess of other liabilities.

The Notes mature five years from the date of issue. The IIP requires that the maturity date of a Note be extended if, and for so long as, less than 70% of the amount of the Note is invested in the active business operations of eligible businesses in Saskatchewan.

The Fund was closed to new subscription applications on March 31, 1999. In 2003, the Fund required subscribers to fully pay any outstanding subscription amounts, and subscribers who did not do so forfeited their right to participate in the Fund.

At December 31, 2008, investor Notes totalled $3.3 million, comprised of 2 Notes (2007 - $8.8 million; 25 Notes) which have not yet matured and 86 Notes on which $217,500 (2007 – $210,000; 63 Notes) has been paid to each investor at the maturity date. Based on information available to the Fund, it is estimated that holders of two Notes have not yet received their visas and therefore retain their right of rescission. The remaining investor Notes mature in January 2009.

The Fund's cash flow projections indicated that timing differences existed between planned liquidations of investments and scheduled investor repayments as Notes became due. In order to treat all investors equally, the payments on Notes at maturity have been set at $217,500. The payment of additional amounts on each Note is dependent on the liquidation of investments, many of which are in private companies as required by the IIP. These investments typically have more risk than other types of investments. Any forecast of when such investments will be liquidated reflects a best judgment based on current information, and involves a number of risks and uncertainties and other factors that may cause actual results to differ materially from the forecast. If the assumptions underlying current forecasts prove to be correct, payment of some additional amounts may be possible in 2009; however, based on current forecasts, it is unlikely that the Fund will be able to repay the full principal amount of the Notes. The current forecast projects that the total payment to investors could be in the range of $225,000 to $235,000. The cash flow forecast will be reviewed quarterly and available cash will be distributed to investors.

The Fund continues to actively manage its remaining investments with a view to achieving for investors the best liquidation proceeds available in the prevailing circumstances.

Total interest expense on investor Notes in 2008 was $53,000 (2007 - $184,000). Interest is paid on each Note until it reaches its maturity date.

Investments

The investment policy of the Fund reflects the requirements imposed by both the IIP and the Offering Memorandum. To meet these requirements, the Fund has established a target initial investment allocation consisting of:

- a maximum of 30% invested in small and medium-sized enterprises ("SMEs") in Saskatchewan;
- 50% invested in loans to support infrastructure projects of the Province of Saskatchewan, and its agencies, municipalities and similar institutions; and,
- the balance invested in cash or liquid debt securities.

As investments are divested over time, the actual portfolio mix changes. Investments in SMEs and loans to support infrastructure qualify as "eligible businesses" for purposes of the IIP.

The following table sets out the investments of the Fund by type at December 31 in each year:

	2008			2007		
	No.	**$ millions**	**%**	No.	$ millions	%
Other investments						
Small and medium-sized enterprises						
Debt investments	**1**	**1.0**	**52.6**	2	1.0	14.7
Equity investments	**1**	**-**	**-**	2	-	-
Total	**2**	**1.0**	**52.6**	3	1.0	14.7
Infrastructure loans	**1**	**0.1**	**5.3**	3	1.5	22.1
		1.1	**57.9**		2.5	36.8
Cash and publicly-traded and short-term investments		**0.8**	**42.1**		4.3	63.2
		1.9	**100.0**		6.8	100.0
Adjustment to fair value		**0.0**			0.3	
Carrying value		**1.9**			7.1	

Note: 1. The total number of SME investments represents the total number of companies. In some cases, an investment in both debt and equity instruments of the same company may have been made.

Since its inception in 1999, the Fund has invested $6.8 million in 11 SME investments and $13.4 million in five loans to support infrastructure.

Investment and other income in 2008 totalled $314,000 (2007 - $668,000). Net gains realized on investments in the year and a decrease in the fair value of investments held at December 31, 2008 totalled $45,000 (2007 –$24,000). Net revenue in 2008 was $359,000, compared with $692,000 in 2007.

Management

The Fund is managed by the Saskatchewan Government Growth Fund Management Corporation ("SGGF MC") under a contract which provides for a management fee not to exceed 3.0% of the net assets of the Fund. SGGF MC has contracted administration and investment advisory services from Crown Capital Partners Inc. ("CCPI"), a private, national investment advisor based in Regina, Saskatchewan. CCPI is paid a monthly fee for its services and will receive a performance fee based on the retained earnings, if any, of the Fund after all investor Notes are repaid in full and all investments have been liquidated.

Administration expense for the Fund totalled $94,000 in 2008, compared with $200,000 in 2007. Administration expense represented 2.1% (2007 – 1.8%) of weighted average total assets.

Results of operations

During 2008, the Fund reported income of $212,000, compared with $308,000 in 2007. Investment income in 2008 before net gains on disposal and changes in fair value was $354,000 lower than in 2007 as a result of a lower base of investments. This reduction in revenue was offset by lower administration costs and lower interest on investor Notes. Investment income on weighted average total assets, before gains realized on the disposal of investments and the recognition of fair value, was 6.9% (2007 – 6.1%). Gains realized on disposal and unrealized gains and losses, net, were 1.0% (2007 – 0.2%). Interest expense was 1.2% (2007 – 1.7%). All other expenses were 2.1% (2007 – 1.8%).

At December 31, 2008, the Fund had an accumulated deficit of $1.4 million, an improvement from $1.6 million at the end of 2007. The accumulated deficit results from losses on disposal of investments, reflecting the relatively higher risk associated with investments in SMEs. In addition, the low interest rate environment in recent years has had a negative effect on returns available from portfolio investments and infrastructure loans.

Outlook and risks and uncertainties

The Fund has completed its fundraising and investing phase. The priority of the Fund is the management of its investment portfolio to maximize returns and to provide for liquidation of investments so that additional amounts can be paid on the outstanding balance of Notes.

The investment allocation of the Fund which is prescribed by the IIP and Offering Memorandum significantly influences the returns available to the Fund. Investments in SMEs, which initially can represent up to 30% of the Fund's investments, provide an opportunity for higher returns, but also carry a higher risk of losses than other investment types, and a greater challenge to achieving liquidity at the time that Notes mature. On the other hand, the balance of investments which consist of liquid securities and loans to finance infrastructure are relatively low risk, but also provide low returns that reflect the lower risk exposure. Since the Fund was launched in 1999, interest rates in the general economy have decreased

significantly, which has created a challenge to the Fund to earn sufficient returns to pay interest on Notes and administration costs.

The significant risks and uncertainties which affect the Fund relate to market risk, credit risk, capital risk, and liquidity risk. These risk factors are described in note 9 to the financial statements. The Fund manages these risks to the extent possible; however, the factors may affect the ability of the Fund to repay its Notes at maturity. The Fund has no sources of funds to finance the repayment of its Notes other than the proceeds received on liquidation of its investments.

Dated as of March 6, 2009.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The President and fund manager of the Saskatchewan Government Growth Fund VII Ltd. are responsible for management of the Fund. The accompanying financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, and necessarily include amounts which are based on informed judgement and management estimates. Financial data presented elsewhere in this annual report is consistent with that in the financial statements.

Management's responsibility includes ensuring the integrity and objectivity of financial information. Management maintains an appropriate system of internal accounting and administrative controls, policies and procedures to provide reasonable assurance that all transactions are authorized, financial records are complete and accurate, and assets are safeguarded against loss.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting. The Board has established an Audit Committee to review the Fund's accounting policies and financial statements prior to their presentation to the Board for approval. The Audit Committee also reviews the internal controls of the Fund, and meets regularly with the auditors. The Board has reviewed and approved these financial statements.

Deloitte & Touche LLP, the Fund's independent auditors, have examined the financial statements of the Fund. Their responsibility is to conduct an independent and objective audit and to report on the fairness of presentation of the Fund's financial position, results of operations and cash flows as shown in the financial statements. The Auditors' Report outlines the scope of their examination and their opinion.

Alan M. Rowe, C.A.
President

Lori K. Le Drew, C.M.A.
Controller, Crown Capital Partners Inc.

March 6, 2009

AUDITORS' REPORT

To the Shareholder of Saskatchewan Government Growth Fund VII Ltd.:

We have audited the statement of financial position of Saskatchewan Government Growth Fund VII Ltd. as at December 31, 2008, and the statements of operations and comprehensive income, deficit and accumulated other comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Regina, Saskatchewan
February 6, 2009

Saskatchewan Government Growth Fund VII Ltd.
Statement of Financial Position

December 31	2008	2007
Assets		
Cash	$ 826,031	$ 1,250,364
Accounts receivable and accrued income	265	52,875
Publicly-traded and short-term investments (Note 5)	-	3,093,704
Other investments (Note 6)	1,077,994	2,768,343
	$ 1,904,290	$ 7,165,286
Liabilities and Shareholder's Deficiency		
Accounts payable and accrued liabilities	$ 7,156	$ 5,568
Investor notes (Note 7)	3,295,000	8,770,000
	3,302,156	8,775,568
Share capital (Note 8)	1,000	1,000
Deficit and accumulated other comprehensive income	(1,398,866)	(1,611,282)
	(1,397,866)	(1,610,282)
	$ 1,904,290	$ 7,165,286

See accompanying notes to the financial statements.

On behalf of the Board:

E.M Nash

Elizabeth M. Nash
Director

M-L Waschuk

Mary-Lynn Waschuk
Director

Saskatchewan Government Growth Fund VII Ltd.
Statement of Operations and Comprehensive Income

Year ended December 31	2008	2007
Revenues		
Income from cash and publicly-traded and short-term investments	$ 91,149	$ 279,071
Income from other investments	212,997	273,145
Other income	10,000	115,642
	314,146	667,858
Gains realized on disposal of other investments	336,044	65,648
Losses realized on disposal of other investments	-	(41)
Decrease in fair value of investments	(291,504)	(41,618)
	44,540	23,989
Net revenue	358,686	691,847
Expenses		
Administration (Note 10)	93,566	200,243
Interest on investor notes	52,704	183,688
	146,270	383,931
Net income for the year	212,416	307,916
Other comprehensive income	-	-
Comprehensive income for the year	$ 212,416	$ 307,916

See accompanying notes to the financial statements.

Saskatchewan Government Growth Fund VII Ltd.
Statement of Deficit and Accumulated Other Comprehensive Income

Year ended December 31	2008	2007
Deficit, beginning of year	**$ (1,611,282)**	$ (1,919,198)
Net income for the year	**212,416**	307,916
Deficit, end of year	**(1,398,866)**	(1,611,282)
Accumulated other comprehensive income, beginning of year	**-**	-
Other comprehensive income for the year	**-**	-
Accumulated other comprehensive income, end of year	**-**	-
Total deficit and accumulated other comprehensive income	**$ (1,398,866)**	$ (1,611,282)

See accompanying notes to the financial statements.

Saskatchewan Government Growth Fund VII Ltd.
Statement of Cash Flows

Year ended December 31	2008	2007
Cash flows from operating activities		
Net income for the year	**$ 212,416**	$ 307,916
Items not affecting cash:		
Decrease in fair value of investments	**291,504**	41,618
Net gains realized on the disposal of other investments	**(336,044)**	(65,607)
Net change in non-cash balances related to operations (Note 11)	**54,198**	(22,947)
Cash flows from operating activities	**222,074**	260,980
Cash flows from investing activities		
Purchase of publicly-traded and short-term investments	**(4,330,997)**	(17,198,497)
Sale of publicly-traded and short-term investments	**7,424,701**	16,149,545
Disbursements on other investments	**-**	(41)
Repayments of other investments	**1,734,889**	4,194,586
Cash flows from investing activities	**4,828,593**	3,145,593
Cash flows from financing activities		
Repayment of investor notes	**(5,475,000)**	(7,965,000)
Cash flows from financing activities	**(5,475,000)**	(7,965,000)
Net decrease in cash	**(424,333)**	(4,558,427)
Cash, beginning of year	**1,250,364**	5,808,791
Cash, end of year	**$ 826,031**	$ 1,250,364
Interest paid during the year	**$ 52,704**	$ 183,688

See accompanying notes to the financial statements.

Saskatchewan Government Growth Fund VII Ltd.
Notes to Financial Statements
December 31, 2008

1. Status of the Corporation

Saskatchewan Government Growth Fund VII Ltd. ("SGGF VII" or the "Fund") was incorporated in February 1999 under *The Business Corporations Act* (Saskatchewan) and has been accepted as a government administered venture capital fund under the federal government's Immigrant Investor Program ("IIP"). Under this program, the Fund was established to raise $35,000,000 through a note offering. Each note is a variable rate (1.50% to 3.50%), unsecured, subordinated debt instrument with a principal amount of $250,000, repayable in five years provided that 70% of the proceeds are invested in eligible businesses ("Notes") throughout the five year period. The marketing period for the Fund ended on March 31, 1999, and 2004 was the last year in which the Fund accepted the completion of subscription payments.

The Confidential Offering Memorandum ("Memorandum") and the IIP prescribe various conditions which qualify an investment as an eligible business, including a requirement that the business be Saskatchewan based and have assets, including assets of associated companies, of less than $35 million.

The Government of Canada and the Government of the Province of Saskatchewan offer no guarantees or assurances on the financial performance of the Fund or of a return of an investor's original investment and neither government will be liable for any loss or damages suffered by an investor as a result of an investment in the Notes.

As described above, the Fund's purpose is to issue the Notes and make investments in accordance with the IIP. When the Notes mature, the Fund divests its investments, in due course, as appropriate opportunities arise. The investments are the Fund's only source of revenue. The Fund's activities will cease when all investments have been divested. The proceeds will be applied to the Notes, with residual resources, if any, being distributed to the shareholder.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

Financial instruments

All financial instruments are classified as one of: (a) held-to-maturity; (b) loans and receivables; (c) held-for-trading; (d) available-for-sale; or (e) other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized in comprehensive income. Accumulated other comprehensive income is reported as a separate component of shareholder's equity. Embedded derivatives are accounted for as separate financial

Saskatchewan Government Growth Fund VII Ltd.
Notes to Financial Statements (continued)
December 31, 2008

instruments and classified in accordance with the above-noted classifications. Investment companies are exempt from these accounting policies with respect to investments and are permitted under Accounting Guideline 18 of the Canadian Institute of Chartered Accountants ("CICA") to measure and report investments at fair value.

The Fund has designated its cash and accounts receivable as held-for-trading, which is measured at fair value. Accounts payable, investor Notes and other liabilities are classified as other financial liabilities which are measured at amortized cost. The Fund has no embedded derivatives that need to be separately valued. Investments are measured and reported at their fair value.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and adjustments are reported in the Statement of Operations and Comprehensive Income in the period in which they become known. The primary measurement uncertainty which may affect the reported amounts relates to the determination of fair values of other investments as described in the following pages.

Revenue recognition

Income from debt investments ("loans") is recognized as earned except if the investment is impaired. A loan is considered to be impaired if, as a result of deterioration in credit quality, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. Any loan on which contractual payments are in arrears for 90 days or more is usually assumed to be impaired. Other factors that are considered in determining whether a loan is impaired are the overall credit quality of the borrower and the fair value of the underlying security. When a loan becomes impaired, recognition of interest income ceases. Income from equity investments is recognized when received.

The change in fair value of other investments during the year is included in the Statement of Operations and Comprehensive Income. Fair values for other debt investments are determined by calculating the present value of the remaining payments under the loans. The discount rate used is based on the expected return at the date of the financial statements for a loan to an investee with similar risk characteristics. The discount rate is comprised of a base risk-free rate based on a Government of Canada bond with equivalent duration, a credit risk premium based on publicly-traded debt with a BBB credit rating, and an additional credit risk and liquidity premium based on the circumstances of the specific investee.

Fair values for other equity investments are determined by management on the basis of the expected realizable value of the investments as at the date of the financial statements if they were disposed of in an orderly manner over a reasonable period of time, discounted at a

Saskatchewan Government Growth Fund VII Ltd.
Notes to Financial Statements (continued)
December 31, 2008

discount rate which is appropriate at the date of the financial statements to investments in similar companies. There is no active secondary market for many investments which are not publicly-traded, and there is considerable uncertainty and a potentially broad range of outcomes with respect to the future cash flows from these investments. Valuations of such investments are subject to a number of assumptions and uncertainties that may cause actual values realized on disposal to differ materially from the fair value estimated at any particular time.

Future accounting policy changes

In February, 2008 the Canadian Accounting Standards Board confirmed that publicly accountable enterprises, including the Fund, will be required to adopt IFRS in place of Canadian Generally Accepted Accounting Principles (GAAP) for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures. The Fund's activities will cease when all investments have been divested. If the Fund is wound up prior to 2011, no IFRS conversion will be required. If, during 2009, it appears unlikely that the Fund will be wound up prior to 2011, then the Fund will commence an IFRS conversion project including initiating the development of a high level IFRS implementation plan and preparation of a detailed review of major differences between current Canadian GAAP and IFRS.

At this time the impact on the Fund's future financial position and results of operations is not reasonably determinable. However, based on the analysis to date the most significant area of difference relates to financial statement disclosures. As part of the IFRS implementation, the Fund will make changes to certain processes and systems before 2010 to ensure transactions are recorded in accordance with IFRS for comparative reporting purposes on the required implementation.

3. Changes in accounting policies

Capital disclosures

Effective January 1, 2008, the Fund adopted the accounting standard Capital Disclosures contained in CICA Handbook Section 1535 in accordance with the transitional provisions of the section. The new standard requires disclosure of information related to the objectives, policies and processes for managing capital, and particularly whether externally imposed capital requirements have been complied with. The adoption of Section 1535 had no material impact on the financial statements.

Financial instruments disclosures and presentation

On January 1, 2008, the Fund adopted CICA Handbook Sections 3862, "Financial Instruments – Disclosures" and 3863, "Financial Instruments – Presentation". These Sections replace Section 3861, "Financial Instruments – Presentation and Disclosure". Section 3862 increases the disclosure requirements for financial instruments, the risks associated with them and how those risks are managed. Section 3863 establishes the

Saskatchewan Government Growth Fund VII Ltd.
Notes to Financial Statements (continued)
December 31, 2008

standards for presentation of financial instruments. The adoption of these accounting standards had no material impact on the Fund's financial statements.

4. Provisions of the IIP

70% investment requirement

The terms of the IIP require that at least 70% of each subscription amount be invested in eligible businesses no later than nine months from receipt of the full subscription amount. As at December 31, 2004, all full subscription amounts have been invested in eligible businesses in accordance with the terms of the IIP.

Minimum holding period and maturity of the Notes

A Note is issued to evidence receipt of the full subscription amount on the date that at least 70% of the subscription amount has been invested in eligible businesses. Each Note is scheduled to mature five years from such date, provided the Fund maintains at least 70% of the Note continuously invested in the active business operations of eligible businesses for five years following the issuance date. The IIP contains provisions which require that the maturity date of a Note be extended if, and for such period that, a minimum of 70% of the Note amount ceases to be invested in the active business operations of eligible businesses.

If the subscription amount had not been at least 70% invested in eligible businesses within nine months of receipt, then, for the period from nine months after receipt until a minimum of 70% of the subscription amount had been initially invested in eligible businesses, the investor received an additional payment as compensation for the extension of the maturity date of their Note.

5. Publicly-traded and short-term investments

Publicly-traded and short-term investments at December 31, 2007 consist of Term Deposits.

Security	Rate %	Maturity Date	Par $	2007 Carrying Value $
Term Deposit	4.88	21/1/08	2,024,034	2,024,034
Term Deposit	4.75	4/2/08	1,069,670	1,069,670
Carrying value				3,093,704

Saskatchewan Government Growth Fund VII Ltd.
Notes to Financial Statements (continued)
December 31, 2008

6. Other investments

	2008	2007
Debt instruments	**$ 1,066,715**	$ 2,465,560
Adjustment to fair value	**11,279**	302,783
Carrying value	**$ 1,077,994**	$ 2,768,343

During the year, investments decreased as follows:

	2008	2007
Balance, beginning of year	**$ 2,768,343**	$ 6,938,899
New investments	**-**	41
Book value of divestments	**(1,398,845)**	(4,128,938)
Investments and costs written off	**-**	(41)
Net change in fair value	**(291,504)**	(41,618)
Balance, end of year	**$ 1,077,994**	$ 2,768,343

Debt instruments have interest rates ranging from 4.8% to 18% and maturity dates ranging from demand to April 2009.

7. Investor notes

Investor notes represent the Notes issued to investors of the Fund. The Notes help to satisfy a portion of investors' visa requirements under the IIP. Interest to the maturity date of Notes is accrued at an annual rate between a minimum of 1.50% and a maximum of 3.50% from the date of Note issuance. The rate is determined at the time of subscription deposit and is calculated as 3.60% less than the then current yield on a benchmark Government of Canada bond. Interest is paid annually on December 31 until maturity and at maturity. The balance at December 31 is comprised of unsecured promissory Notes with interest rates as follows:

Saskatchewan Government Growth Fund VII Ltd.
Notes to Financial Statements (continued)
December 31, 2008

	2008		2007	
	Number	$	Number	$
1.50%	40	1,735,000	40	4,120,000
1.70%	1	32,500	1	40,000
1.75%	3	97,500	3	750,000
1.85%	1	32,500	1	250,000
2.00%	5	162,500	5	410,000
2.05%	8	260,000	8	2,000,000
2.20%	4	130,000	4	160,000
2.30%	1	32,500	1	40,000
2.40%	7	227,500	7	280,000
2.45%	2	65,000	2	80,000
2.50%	5	162,500	5	200,000
2.60%	9	292,500	9	360,000
2.80%	2	65,000	2	80,000
	88	3,295,000	88	8,770,000

The balance is comprised of 2 (2007 – 25) unsecured promissory Notes with a face value of $250,000 and 86 (2007 – 63) Notes with a remaining principal balance of $32,500 (2007 - $40,000).

During 2008, no maturity dates were extended in order to comply with the IIP (note 4).

The following is the schedule of Note maturities as at December 31, 2008:

Notes matured prior to 2009	$ 2,795,000
2009	500,000
	$ 3,295,000

The Notes are subordinate to all other liabilities of the Fund and repayment is dependent on the proceeds on liquidation of investments and other available liquidity in excess of other liabilities. The Notes are irrevocable, except in the case that a visa is denied. To the knowledge of the Fund, visas have not yet been approved with respect to a maximum of two investors to whom Notes have been issued.

As a result of differences in the timing of proceeds from investments and scheduled maturities of Notes, beginning with the first Notes to mature in 2006, the Fund set payments on each Note at its maturity at $185,000. In 2006, this amount was increased to $195,000 with a further increase in 2007 to $210,000. During 2008, this amount was increased to $217,500. As a result of investment losses, it is unlikely that the Fund will be able to repay the full principal amount of Notes. If the assumptions underlying current forecasts prove to be correct, payment of some additional amounts may be possible in 2009.

Saskatchewan Government Growth Fund VII Ltd.
Notes to Financial Statements (continued)
December 31, 2008

8. Share capital

The authorized common share capital of the Fund at December 31 consists of an unlimited number of voting common shares. Holders of the common shares are entitled to receive dividends.

The issued common share capital at December 31 is:

	2008	2007
1,000 common shares	$ 1,000	$ 1,000

9. Financial risk management

The Fund's primary business was the raising of capital from immigrant investors and placing these funds in new and expanding Saskatchewan businesses. This investment activity entails exposure to market risk, including currency, interest rate and other pricing risks, credit risk, liquidity risk and capital risk. These risk factors may impact upon the Fund's ability to repay its Notes at maturity. These risk factors are described below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Currency risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. While the Fund invests only in Canadian-dollar denominated investments, thereby matching the currency of its Notes, investee companies may be exposed to fluctuations in currency rates because of sales denominated in foreign currencies. Interest rate risk is the risk that the Fund's earnings will be affected by fluctuations in interest rates. Other price risk includes other factors that affect market prices, other than currency and interest risk. This may include the ability of an investee company to profitably distribute its products. Most of the companies in which the Fund invests are dependent upon a single product or industry. The Fund manages this risk through careful due diligence prior to committing funds to the investment and by diversifying its investments across various industry sectors. In general, if market risks either favourably or adversely affected the value of investments by 10%, net income and amounts available to repay Notes would not be materially affected.

Credit risk

Credit risk is the risk that a counter party will fail to discharge its obligations. Concentration of credit exposure may arise given that the Fund restricts its investments to businesses operating in Saskatchewan and therefore all investments are subject to a similar general economic environment. The Fund conducts thorough due diligence prior to committing to an investment and actively monitors the financial health of its investees on an on-going basis. The maximum exposure to credit risk is equivalent to the aggregate of balances reported in

Saskatchewan Government Growth Fund VII Ltd.
Notes to Financial Statements (continued)
December 31, 2008

the financial statements as publicly-traded and short-term investments and debt instruments reported within other investments.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in liquidating its investments at the time it is required to repay its Notes. Due to the nature of some of the Fund's investments, the timing of cash flows from its investments may not exactly match the payments owing under the Fund's Notes. The Fund carefully monitors the duration of its investments. However, timing differences may require the Fund to reduce or delay the payments owing on Notes at maturity.

Capital risk and disclosure

Capital risk is the risk that the Fund will not have access to capital to finance its operations. The Fund has no sources of capital from which to draw on in the event that the proceeds of investments are insufficient to repay Notes. The Fund is not subject to externally imposed capital requirements.

Fair value – investor notes

No secondary market for the Notes exists. Due to the unique features associated with the Notes, the calculation of a fair value with appropriate reliability is impractical. The risk factors that affect the fair value of investments, as described above, also affect the fair value of investor Notes. Repayment of these Notes at maturity is dependent upon the value and liquidity of investments at that time.

10. Administration

Under the terms of a management agreement, expiring in 2009, between the Fund and Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation"), SGGF Management Corporation administers the assets of the Fund with the assistance of a manager that performs fund administration and investment management. SGGF Management Corporation does not guarantee the financial performance of the Fund. All services provided to the Fund are charged on a fee for service basis. The costs billed to the Fund by SGGF Management Corporation are as follows:

	2008	2007
Manager's fees	**$ 77,505**	$ 178,171
General administration	**1,550**	3,564
Directors' fees and expenses	**1,654**	5,654
Legal and professional	**12,857**	12,854
	$ 93,566	$ 200,243

Saskatchewan Government Growth Fund VII Ltd.
Notes to Financial Statements (continued)
December 31, 2008

11. Net change in non-cash balances related to operations

	2008	2007
Accounts receivable and accrued income	$ 52,610	$ (19,572)
Accounts payable and accrued liabilities	1,588	(3,375)
	$ 54,198	$ (22,947)

12. Income taxes

A provincial Crown corporation, SGGF Management Corporation, owns all of the issued shares of the Fund. Therefore, the Fund is exempt from income taxes.

13. Related party transactions

Included in these financial statements are amounts resulting from transactions with SGGF Management Corporation pursuant to a management agreement referred to in note 10. Routine operating transactions with related parties are recorded at agreed upon exchange amounts and settled under normal trade terms. Total fees charged to SGGF VII by SGGF Management Corporation amounted to $93,566 (2007 - $200,243). Total fees payable to SGGF Management Corporation at December 31, 2008, and included in the above, are $7,156 (2007 - $5,568).

FIVE YEAR FINANCIAL SUMMARY (UNAUDITED)

Financial Position (thousands of dollars)

December 31	2008	2007	2006	2005	2004
Assets					
Cash	$ 826	1,250	5,809	922	1,897
Publicly-traded and short-term investments	-	3,094	2,045	8,298	5,898
Other investments	1,078	2,768	6,939	9,783	11,853
Other assets	-	53	33	370	728
Total assets	$ 1,904	7,165	14,826	19,373	20,376
Liabilities and Deficit					
Investor notes	$ 3,295	8,770	16,735	22,000	22,031
Other liabilities	7	5	9	11	17
Deficit	(1,398)	(1,610)	(1,918)	(2,638)	(1,672)
Total liabilities and deficit	$ 1,904	7,165	14,826	19,373	20,376

Operating Results (thousands of dollars)

Years ended December 31	2008	2007	2006	2005	2004
Revenues					
Investment income	$ 213	273	552	659	839
Interest from cash and publicly-traded and short-term investments	91	279	313	296	210
Other income	10	116	19	66	9
	314	668	884	1,021	1,058
Gains (losses) realized on disposal of investments	336	66	86	(219)	(615)
Adjustment to fair value	(291)	(42)	738	(560)	523
Net revenue	359	692	1,708	242	966
Expenses					
Administration	94	200	355	433	440
Financing	53	184	633	775	773
Total expenses	147	384	988	1,208	1,213
Net income (loss)	$ 212	308	720	(966)	(247)

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Fund Manager
Saskatchewan Government Growth Fund Management Corporation, which has retained Crown Capital Partners Inc. to provide management services

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